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INFO RUCNCOM/EC CARICOM COLLECTIVE PRIORITY
RUEHCV/AMEMBASSY CARACAS PRIORITY 1609
RUEAHLC/DEPT OF HOMELAND SECURITY WASHINGTON DC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 4166
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C O N F I D E N T I A L BRIDGETOWN 000162

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DEPARTMENT FOR WHA/CAR, WHA/EPSC, WHA/AND, EEB/ESC/IEC/EPC
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SUBJECT: PETROCARIBE UPDATE #30: ANTIGUA AND BARBUDA

REF: BRIDGETOWN 133

Classified By: DCM Mary Ellen T. Gilroy for reasons 1.4 (b) and (d).

Summary

¶1. (C) The Prime Minister of the Government of Antigua and Barbuda (GOAB), Baldwin Spencer, continues to portray Hugo Chavez as an altruistic benefactor and a friend of the Caribbean. To date, both governments have signed agreements with an estimated value of USD 48 million allocated between the GOAB's petroleum and aviation sectors. However, critics have pointed out several flaws within these arrangements and question the longer-term consequences of this relationship. End Summary.

Petrocaribe Implementation

¶2. (C) Last year, the GOAB finalized its Petrocaribe agreement with the Government of Venezuela (BRV), which will allow Antigua and Barbuda to access up to a million barrels of oil per year. Similar to other Petrocaribe agreements in the region, the GOAB will pay 60 percent of the costs upfront and repay the balance over the next 23 years at a heavily discounted interest rate of one percent. The BRV is allowing a two-year moratorium before initial payments. To date, two shipments totaling approximately 180,000 barrels of Venezuelan fuel have been distributed in Antigua and Barbuda, and a third shipment of approximately 90,000 is expected in February. For the time being, storage and distribution management will alternate between the West Indies Oil Company and Shell. However, according to some foreign oil representatives with whom EconOff spoke, Petroleos de Venezuela's (PDVSA) ultimate goal remains to control all storage and distribution in the region and eliminate its competition.

Wind Beneath My Wings: BRV Supports Civil Aviation

¶3. (C) The BRV reportedly offered the GOAB an estimated USD 20 million to subsidize the rescue of Leeward Islands Air Transportation (LIAT) Airlines and LIAT's eventual merger with Caribbean Star (reftel). The terms of the loan are still unknown. This will mark the second time that the Venezuelan government helped to save LIAT. The BRV advanced

money to form LIAT when Court Line Airlines collapsed in 1974. The BRV will also be paying for USD 7.5 million worth of repairs in Antigua and Barbuda's V.C. Bird International Airport. Unlike the airline loan, the funding for the airport's facelift will be a grant, which will be used to refurbish the terminal building, expand the departure lounge, and repair air conditioning and electrical facilities. V.C. Bird International Airport's new Chief Executive Officer, Ken Hurst, told Econoff that none of the USD 7.5 million has yet been spent, with only weeks before Cricket World Cup (CWC). According to Hurst, the Venezuelan grant only represents a small portion of the total planned expenditures for the airport renovation project, which clearly will not be completed before the March-April CWC.

The Critics Corner

¶4. (C) According to the Managing Director of PDVSA for Antigua and Barbuda, Dr. Percival Perry, the Petrocaribe initiative is operating smoothly. However, criticism of BRV support is beginning to surface. Foreign oil companies have expressed concern that the BRV's long-term goal is to make it impossible for them to operate in the Eastern Caribbean. According to EconOff's contacts with SOL and Shell, if the foreign companies pull out, the BRV would gain total control over fuel supply, storage and distribution. One Op-Ed piece in the Antiguan press reminded readers that Venezuela is an OPEC member and recently expressed a desire for production cutbacks -- a move that could have dramatic consequences if PDVSA were to be the only supplier in the region. In Antigua and Barbuda, former PM and current opposition figure Lester Bird told the press that he is closely monitoring Venezuela's USD 20 million loan for LIAT, which he considers a potential burden on taxpayers (reftel).

Comment

¶5. (C) Short term political and economic expediency is at the root of the region's eagerness for Venezuelan largesse. Few of the region's decision-makers stop to consider the possible longer-term consequences, among them foreign investment flight, loss of control over their countries' energy policies, and narrowing of foreign policy options. Embassy Bridgetown continues to address these issues with its Eastern Caribbean counterparts, emphasizing the region's need to focus on the implications of becoming too closely tied with and economically dependent on the BRV.

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